

**DELAWARE REAL ESTATE COMMISSION
861 Silver Lake Boulevard
Dover, Delaware 19904**

**Non- Residential Property Management¹
Part I Course Objectives**

Course Description: A minimum three-hour program to acquaint the sales licensee with duties and responsibilities of property management; Review types of properties, principles, documents, and agency relationship; Review legal requirements of leasing and management; Review property manager functions including tenant relations, rent collection, and maintenance; Review duties, ethics, and risk management of the property manager.

Instruction: The curriculum requires three certified instructors: 1) a practicing Delaware resident licensee with a minimum of five years experience in the property management field; 2) a Delaware attorney with an expertise in real estate law issues; 3) a Delaware licensed property and casualty insurance professional.

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¹ The outline and teaching materials were prepared by a sub-committee of the Delaware Real Estate Commission and are solely for educational purposes. The outline and materials contained herein do no constitute legal opinion or advice and should not be relied upon for such purposes.

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NON-RESIDENTIAL PROPERTY MANAGEMENT PART I

I. Types of Properties

A. Multi- Tenant

Multi-tenant properties are any property with more than one tenant, such as shopping centers or malls, office buildings, apartment complexes, mini-storage facilities, and industrial parks. Freestanding buildings may be part of multi-tenant properties. Multi-tenant properties may have mixed uses, meaning more than one of the property types below may be involved.

B. Free Standing

Free Standing properties have only one tenant per building, but may be part of multi-tenant properties, such as outlots in a shopping center property, or separate buildings in an industrial park.

1. Office- Office properties typically conduct no trade or commerce to the general public, although trade or commerce may be conducted over telecommunications lines, such as telephone or computer sales. Service uses, such as insurance offices, real estate brokerage, accounting or law offices, do business with the general public.
2. Retail- Retail properties involve trade or commerce to the general public, such as grocery stores, hardware stores, beauticians, restaurants, and other similar items, and in some cases, mini or self storage facilities.
3. Industrial- Industrial properties includes more than manufacturing or fabrication, and includes assembly, packaging, warehousing, distribution, contractor yards, and in many cases, mini self-storage facilities.
4. Agricultural- Agricultural properties are unique and many times enjoy special protections under state law. Typically, the leased agricultural property is cropland. Delaware provides special exemptions for agricultural properties for lease expirations and renewals. Irrigation equipment

5. Self Storage- these properties, also known as mini-storage facilities, are unique because they are essentially warehouse units which fit in most commercial zoning districts. Warehousing is typically consumer or household warehousing, and the rentals are similar to hotel properties in that the units are typically rented short term. Most self-storage properties require specialized management systems by on-site management.
6. Multi-Family- Properties housing more than one family are multi-family properties, and can be duplexes, apartments, tri-plexes, quads, garden apartments, and so forth.
 - a. Apartments- Apartments are stacked housing units attached by common walls
 - b. Manufactured Housing Communities- Commonly known as mobile home parks, manufactured housing parks typically lease the lots to residents who install mobile, manufactured homes and connect to landlord's utilities connections. It is not uncommon for residents to lease both the home and the lot, but far more common for the resident to lease the lot only.

II. Types of Landlords

A. Individuals

1. When real estate is owned by one individual, that owner has sole rights to the ownership and sole discretion of the transfer of the ownership.
2. When title to one parcel of real estate is held by two or more individuals, those parties are called co-owners.
3. Individuals may co-own property as tenants in common, joint tenants, or tenants by the entirety.
4. Under any form of co-ownership, each co-owner is entitled to possession of the whole property. Therefore, the property manager should have all co-owners sign the lease.

B. Corporations

1. A corporation is a legal entity; an artificial person-created under the laws of the State from which it receives its Certificate of Incorporation.

2. A Corporation is managed by its Board of Directors. The Officers of the Corporation carry out the directives of the Board of Directors.
3. Individuals participate, or invest, in a corporation by purchasing stock. Because stock is personal property, shareholders do not have a direct ownership interest in the real estate owned by a corporation.
4. A lease with a corporation should be executed by the President or Vice President and attested by the Corporate Secretary or Assistant Secretary. In addition, the Corporate seal should be affixed. Also, a corporate resolution should be obtained authorizing the corporation by and through its President or Vice President to enter into the lease.

C. Partnerships

1. A partnership is an association of two or more persons who carry on a business for profit as co-owners.
2. In a General Partnership, all the partners participate in the operation and management of the business and share full liability for business losses and obligations.
3. Any partner may sign the lease to bind the partnership.
4. A Limited Partnership consists of one or more general partners as well as limited partners. The business is run by the general partner(s). The limited partners are not legally permitted to participate in management. However, the limited partners are not liable for the negligent acts and omissions of the general partner.
5. In a Limited Partnership, the general partner must sign the lease.

D. Limited Liability Companies

1. A Limited Liability Company combines the most attractive features of partnerships and corporations.
2. The members of an LLC enjoy the limited liability offered by corporate form of ownership and the tax advantages of a partnership.
3. In addition, the LLC offers flexible management structures without the complicated requirements of corporations or Limited Partnerships.
4. The Limited Liability Agreement will specify whether all the members or only a managing member of the Limited Liability Company is necessary to bind the entity.

III. Types of Tenants

A. Individuals

- B. Corporations
- C. Partnerships
- D. Limited Liability Companies

IV. Types of Leases

- A. Gross Lease
 - 1. Flat rental rate lease amount utilized primarily with residential leases. Tenant pays a fixed rental amount and landlord pays all operating expenses and routine property expenses associated with the property, i.e. general repairs, property taxes and insurance.
- B. Net Lease
 - 1. Tenant pays a basic rental amount typically base on the square footage of the leased property plus all or a portion of the charges associated with the property including but not limited to property taxes, utilities, insurance, assessments and property maintenance usually referred to as a net-to-net lease. Certain accounting and depreciation factors make the net lease a preference of many landlord and tenants.
- C. Percentage Lease
 - 1. Utilized in many commercial retail business applications based on square footage leased. Tenant pays a base rental amount to the landlord, plus a percentage of gross income received by the tenant through the operation of their business. Factors influencing percentage leases are location of the property and type of business venture.

V. Types of Agents

- A. Leasing/Selling/Brokerage

Typical regulated sales agent performing three party transactions representing buyers/tenants or sellers/landlords or both. This role of this agent is to attract buyers to sellers and tenants to landlords, but not to manage the owner's or landlord's property.

- B. Marketing

Marketing is different from managing because the obligation of marketing is to attract buyers or tenants and facilitate the transaction, and not to maintain a relationship of working for the landlord after the

transaction. The typical brokerage relationship terminates after the transaction is complete or falls through.

C. Maintenance

The typical brokerage relationship does not require the broker to maintain the property for the owner or landlord, but limits the obligation of the agent to marketing. Care should be taken to disclose the scope of the brokerage relationship to exclude maintenance obligations, although defects found through the course of the agency relationship should be brought to the attention of the principal as quickly as possible.

D. Managing

Management creates a different scope of work for the property manager, with absolute defined agency relationships. The scope of the work should be clearly defined in the management agreement such that the role of marketing agent is defined, and the role of maintenance agent is likewise defined.

1. Agency Relationship- Unlike brokerage where many times the marketing agent represents both parties in a transaction, the property manager exclusively represents the property owner in the management function.
2. General Agent Duties to the Client- The property management agreement should be clearly set forth the scope of the work required by the property manager by the property owner. Implied duties can be numerous without a clearly defined scope defining the manager's duties. Generally the manager exercises diligence and caution in representing the owner's interest and caring for the owner's property, as well as collecting rents and other monies required by a lease agreement, and doing one's best to reduce the owner's risk and liability.
3. Agency Disclosures- Many times a property manager may represent tenants in the marketplace. It is likewise common for property managers to market the owner's property, typically with multi-family residential properties and self-storage facilities. Appropriate disclosures for representation should be made in the lease of other documents.

VI. Legal Requirements (Introduction)

A. Landlord-Tenant Code

1. Commercial leases are exempt from all provisions of the Delaware Residential Landlord-Tenant Code except that commercial evictions (Summary Proceeding for Possession) are

controlled by Chapter 57 Summary Possession, 25 Del. C. §5701, et seq., of the Residential Landlord-Tenant Code and Distress for Rent Actions are covered by Ch. 63 of the Residential Landlord-Tenant Code, 25 Del. C. § 6301, et seq. The Delaware Commercial Landlord-Tenant Code only has five sections:

- a. 6101- Meeting and charges for Utility Services
- b. 6102- Definitions
- c. 6103- Preference of Rent in Cases of Execution
- d. 6104- Confession of Judgment
- e. 6105- Taxes paid by tenant; setoff against rent; recovery from owner.

B. Fair Housing Act

C. Americans with Disabilities Act

1. Title III of The Americans With Disabilities Act of 1990, U.S.C. §12181 (the “ADA”) became effective on January 26, 1992 and requires both commercial landlords and tenants to take affirmative steps to provide physical access to “commercial facilities” and places of “public accommodation” to individuals with disabilities. The definition of a commercial facility under the ADA is broadly defined and includes virtually all privately owned places of business that affect commerce such as office buildings, shopping centers, warehouses, and factories. Places of public accommodation fall into 12 categories of entities which own, operate, or lease facilities where the general public obtains goods or services and includes restaurants and cafeterias, bars, theaters, auditoriums, most retail establishments, museums, parks, private schools, offices of accountants and attorneys, offices of insurance and health care providers and other providers of services. See generally, 28 C.F.R. Part 36.
2. Under the provisions of the ADA places of “public accommodation” are required to remove existing physical barriers to access if such removal is “readily achievable, or can be easily accommodated or carried out without much difficulty or expense”. This obligation for barrier removal applies to the entire facility of which the place of “public accommodation” is a part including the common entrance areas and parking facilities. 28 C.F.R. § 36.104. All new construction of commercial facilities and public accommodations must comply with the ADA regulations. However, owners and operators of existing commercial that are not also considered places of public accommodation are not required to retrofit existing buildings or provided auxiliary aids to the disabled.
3. The ADA regulations apply to building owners as well as to management companies, landlords, tenants, subtenants and any other entity that owns, leases, leases to, or operates a place of public accommodation. The ADA regulations further provide that

the allocation of responsibility for compliance as between the landlord and the tenant may be determined by the parties. 28 C.F.R. § 36.201(b).

4. Listed below are some drafting considerations a landlord should consider while negotiating a lease with a prospective tenant involving a lease for a place of public accommodation:
 - a. The landlord should not rely on the standard boilerplate compliance provision in a lease which does not also specifically address ADA issues.
 - b. Specifically address all ADA obligations, including accessibility, barrier removal or changes, provisions for auxiliary aids and services, and non-discrimination, covenants and subsequent alterations.
 - c. Any indemnification clause should include coverage for all damages, penalties, costs, and attorney's fees arising from the tenant's non-compliance with the ADA regulations.
 - d. The lease should include an affirmative obligation to include an ADA compliance provision in all construction and architectural contracts.
 - e. Who will be responsible for maintaining common areas subject to the ADA regulations that may exists in the premises of an individual tenant?
5. In the event a prospective or existing tenant proposes significant improvements or alterations to existing leased space, the landlord should also require, that all plans and specifications provided by the tenant shall comply with the ADA requirements and a statement to this effect should appear on any such plans and specifications. The Following sample ADA lease provision can be used as a beginning point in the landlord's negotiations with the tenant on ADA issues:
 - a. The parties acknowledge and agree that the liabilities and obligations of the landlord and tenant under the federal statute commonly known as the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) as well as the regulations and accessibility guidelines promulgated thereunder as each of the foregoing is supplemented or amended from time to time (collectively the "ADA") shall be apportioned as follows:

Tenant. From and after the commencement date of the Lease, Tenant covenants and agrees to conduct it's operations within the Premises in compliance with the ADA. In the event Tenant elects to undertake any alterations to, for or within the Premises, including but not limited to the initial build-out work if such work is the

responsibility of the Tenant to perform, then Tenant covenants and agrees to cause any such alterations to be performed and completed in compliance with the ADA. Tenant hereby covenants and agrees to indemnify and hold harmless Landlord and landlord's officers, directors, shareholders; partners, employees and agents from and against any and all claims, demands, causes of action, costs, expenses (including reasonable attorneys' fees and litigation costs) damages, fines, penalties and liabilities of any kind or nature whatsoever which are asserted against or incurred by Landlord or other indemnified party hereunder and which are based upon, arise out of or relate to a breach of the foregoing covenants.

6. Employment- Title 1

- a. Title I of the ADA provides for the employment of qualified job applicants regardless of their disability. Any employer with 15 or more employees must adopt nondiscriminatory employment procedures. In addition, employers must make reasonable accommodations to enable individuals with disabilities to perform essential job functions.
- b. Reasonable accommodations include making the work site accessible, restructuring a job, providing part-time or flexible work schedules, and modifying equipment that is used on the job.
- c. In 1999, the U.S. Supreme Court strictly limited the definition of "persons with disabilities" protected by the ADA. The decision excludes individuals whose disability, such as nearsightedness, can be corrected. In 2002, the U.S. Supreme Court narrowed the definition even further by stating that in determining whether a person is disabled, you need to ask whether the impairment(s) prevented or restricted the person from performing tasks that are of central importance to most people's daily lives.

7. Building Requirements- Title 3

- a. Property managers also must be familiar with Title III of the ADA, which prohibits discrimination in commercial properties and public accommodations, and provides for accessibility to goods and services for individuals with disabilities. The ADA requires that managers ensure that people with disabilities have full and equal access to facilities and services.

- b. While federal civil rights laws have traditionally been viewed in the real estate industry as housing-related, the practices of licenses who deal with non-residential property are significantly affected by the ADA. Because the people with disabilities have the right to full and equal access to businesses and public services under the ADA, building owners and managers must ensure that any obstacle restricting this right is eliminated. The Americans with Disabilities Act Accessibility Guidelines (ADAAG) contain detailed specifications for designing parking spaces, curb ramps, elevators, drinking fountains, toilet facilities, and directional signs to ensure maximum accessibility.
- c. ADA applies to commercial, non-residential property in which public goods or services are provided. The ADA requires that such properties either be free of architectural barriers or provide reasonable accommodations for people with disabilities.
- d. The property manager typically is responsible for determining whether a building meets ADA accessibility requirements. The property manager also must prepare a plan for retrofitting a building that is not in compliance when removal of existing barriers is “readily achievable” that is, can be performed without much difficulty or expense. There are some tax advantages available to help offset the expense of complying with ADA. ADA experts may be consulted, as may architectural designers who specialize in accessibility issues.
- e. To protect owners of existing structures from the massive expense of extensively remodeling, the ADA recommends reasonably achievable accommodations to provide access to the facilities and services. New construction and remodeling, however, must meet higher standards of accessibility and usability because it costs less to incorporate accessible features in the design than to retrofit. Though the law intends to provide for people with disabilities, many of the accessible design features and accommodations benefit everyone.
- f. Existing barriers must be removed when this can be accomplished in a readily achievable manner-that is, with little difficulty and at low cost. The following are examples of readily achievable modifications:
 - (1) Ramping or removing an obstacle from an otherwise accessible entrance.
 - (2) Lowering wall-mounted public telephones.

- (3) Adding raised letters and Braille markings on elevator buttons.
 - (4) Installing auditory signals in elevators.
 - (5) Reversing the direction in which doors open.
- g. Alternative methods can be used to provide reasonable accommodations if extensive restructuring is impractical or if retrofitting is unduly expensive. For instance, installing a cup dispenser at a water fountain that is too high for an individual in a wheelchairs may be more practical than installing a lower unit.
- h. The federal Fair Housing Act makes it illegal to Discriminate against prospective tenants on the basis of physical disability. Tenants with disabilities must be permitted to make reasonable modifications to a property at their own expense. However, if the modifications would interfere with a future tenant's use, the landlord may require that the premises be restored to their original condition at the end of the lease term.
- i. Neither the landlord nor the tenant may be required to make any improvements to leased property. The tenant may, however, make improvements with the landlord's permission. Any alterations generally become the landlord's property; that is, they become fixtures. However, the lease may give the tenant the right to install trade fixtures. Trade fixtures may be removed before the lease expires, provided the tenant restores the premises to their previous condition, with allowance for the wear and tear of normal use.
- j. Federal, state, and local laws may provide additional requirements for accommodating people with disabilities. Licensees should be aware of the full range of laws to ensure that their practices are in compliance
- k. The ADA exempts the following two types of property from its requirements:
 - (1) property that is covered by the Fair Housing Act; and
 - (2) Property that is exempt from coverage by the Fair Housing Act.
- l. Some properties, however, are subject to both laws. For example, in an apartment complex, the rental office is a "place of public accommodation". As such, it is covered by the ADA and must be accessible to persons with disabilities at the owner's expense.
- m. Individual rental units would be covered by the Fair Housing Act. If a tenant wished to modify the unit to make it accessible, he or she would be responsible for the cost.

- D. Delaware Statute Regarding Agricultural Leases
1. Agricultural Lease defined
 - a. "Agricultural land", "farmland" or rural land of 10 acres or more not within a city or municipality, capable of being farmed.
 2. Term of Lease
 - a. Verbal lease/written leases expressing NO term
 - (1) Term is one year
 - (2) Terminates on next 12/31, unless it began after 9/1, the second 12/31 occurring
 - b. Notice to terminate where NO term expressed
 - (1) 4 months before end of term
 - (2) If no notice, then lease becomes year to year.
 - c. No Notice required if Lease states no notice required
 - d. 14 days notice to tenant residing in house on land
 - e. Termination when term is expressed in written lease
 - (1) 4 months by either party before end of term
 - (2) If no notice, lease becomes year to year
 3. Rights of Grantees of Reversions or Remainders
 - a. Same rights as Grantors to enforce lease terms or action for waste.
 4. Distress for Rent- Permitted
 - a. Distrant on crops found on premises and livestock.
 - b. Tenant must have title to items
 - c. Items under conditional sales contract or lease to Tenant are prohibited from being distrained upon.
 5. Preference of Rent
 - a. Rent is paid first for up to one year's rent. Remaining debts of Tenant next in cases of execution on crops.
 6. Removal of Hay
 - a. If Tenant brought hay onto property, Tenant may remove same amount at end of term.
 7. Obstruction of tenant; Protection of Tenant's Crops
 - a. If land is being leased to a new tenant, old tenant is permitted to harvest existing crops.
 8. Corn-Duty of Outgoing Tenant
 - a. Tenant can harvest up to time of giving up possession only. New Tenant gets remainder of harvest.
 9. Rent Payable with Produce
 - a. If Tenant fails to pay rent, Landlord may levy on crops for rent payment.
 10. Delivery of Produce to Landlord by Tenant
 - a. After Landlord has levied Tenant can either pay rent or deliver crop.

11. Crops Reserved as rent
 - a. Where crops are to pay rent or portion thereof, Landlord has lien on crops.
 - (1) Lien remains with sale of crop.
 - (2) Lien remains upon death of Tenant.
 - (3) Lien not divested by bankruptcy of tenant.
 - b. Contract needs to be recorded to perfect the lien.
 12. Property Taxes are Setoff Against Tenant's Rent
 13. Disposition of Manure
 - a. In absence of Agreement, Tenant may not remove or sell manure
 - b. If Agreement permits removal, Tenant may not remove soil with manure.
 - c. Tenant can use manure as a Right of Possession.
 - d. Cattle Manure
 - (1) If Tenant supplies own feed to cattle, Tenant may remove manure.
 14. Timber Cutting
 - a. Cutting prohibited without agreement constitutes waste.
 15. Assignment of Farm Leases
 - a. Assignment prohibited without Landlord consent.
- E. Manufactured Housing Leases & Landlord-Tenant Code-
- The Manufactured Home Owners and Community Owners Act of 2003
Section I- Purposes and Policies
Section II- Termination by Either Party and Non-renewal For Cause
Section III- Delaware Manufactured Home Relocation Trust Fund §7012
Section IV- Landlord Remedies
Section V- Rules
Section VI- Standards, Three Types Recognized
Section VII- Rent Increases and Home Transfer
- F. Courts of Jurisdiction
 - a. Justices of the Peace Court
 - (1) exclusive jurisdiction for summary proceeding for possession (Eviction)
 - b. Court of Common Pleas
 - c. Superior Court
 - d. Court of Chancery
- G. Zoning Regulations
 1. Variance
 2. Non-conforming
 3. Use

VII. Duties to the Client

- A. Financial Management
 - 1. The goal of the landlord is to generate rental income, so the property finances are the primary reason for the management function. The primary duty of the property manager to the owner or landlord is to generate as much income as possible and protect that income.
 - a. State Escrow Management Statute
 - (1) Escrow management responsibilities are serious because the escrow deposits typically belong to the tenant until there is a reason for the tenant to forfeit the escrow deposit to the landlord. The property manager should be aware of statutes that prohibit co-mingling of funds, payment of interest on the escrow deposit, and other similar issues.
 - b. Security Deposit Management
 - c. Internal Accounting Practices
 - d. Internal Money Management
- B. Physical Management (Structure and Grounds)
- C. Administrative Management (Files and Records)
- D. Asset Management Valuation Issues
 - 1. Market Rent
 - 2. Market Cap Rate
 - 3. Recent Sales

VIII. Ethics

- A. Relationship to Property Manager Client
 - 1. Type of Representation
 - 2. General Agency
 - 3. Employee
 - 4. Facilitator
- B. Relationship to Property Manager Customer
 - 1. Responsibilities
 - 2. Disclosure
 - 3. Fair Dealings
- C. Broker/Agent Responsibilities
 - 1. Types of Agency
 - a. Special
 - b. General
 - c. Universal
 - 2. Responsibilities

3. Sub Agency
- D. Ethical principles, rules and standards of conduct for the property manager
 1. The Code of Ethics
 2. Duties to Clients
 3. Duties to Customers
 4. Duties to Other Agents

IX. The Property Management Agreement

- A. Scope of Work
- B. Property Description
- C. Duration and termination provisions
- D. Manager's responsibilities/reports
- E. Owner's objectives
- F. Manager's authority

X. Maintaining Client's Investment

- A. Interviewing Tenants
 1. Prospective tenant's business operations should be in harmony with existing tenants yet not in direct competition thereby allowing for diversification and profitability of the property owners investment. Marketing should include on-site signage and print media. All rental applicants deserve the same standard of service with the property manager complying with all federal, state and local fair housing laws during the selection of tenants. Applicant must provide written authorization for personal credit reports and/or review of financial statements.
 2. Commercial leases typically utilize the square foot application when determining the rental amount, i.e. a space of 50 feet X 50 feet= 1,500 square feet. Should the monthly rental amount be \$1,850 multiply that amount by 12 months=\$22,000 per year. Divide the total rental amount by the total square feet to determine the annual rate per square foot \$22,000 divided by 1,500 square feet= \$14.80 per square foot. To convert to a monthly rate, \$14.80 divided by 12 months= \$1.23 per square foot.
 3. Residential leases are based on an annual flat rental amount divided by 12, \$12,000 divide by 12= \$1,000 per month.
- B. Rent Collection
 1. Initiates with the selection process including tenant's former landlord, credit bureau reports and financial references. Time, place, penalties for returned checks, late fees must be stated in the lease agreement prepared by the landlord.

- C. Budgeting and Expense Control Procedures
 - 1. A property management budget is based on current and expected revenues and expenses. Expenses may be fixed such as salaries, taxes and property insurance or variable such as repairs. While fixed expenses are relatively easy to determine variable expenses require a reserve fund determined by historical data relative to the subject property.
- D. Accounting Procedures
 - 1. The management agreement establishes the agency relationship between the property owner and manager thus the agreement defines the managers accounting duties and responsibilities.
- E. Property Manager/Owner Relations
 - 1. Regularly scheduled meetings with the property owner and manager as outlined in the property management agreement are vital for an open line of communications regarding common objectives.
- F. Hiring and Supervision of Employees
 - 1. Determined by the size of the managed property, however, background checks and former employer reference check are crucial. The property manager must be familiar with workers' compensation laws and should maintain surety bonds covering a property owner against financial losses resulting from an employee's criminal acts or negligence while performing assigned duties.

XI. Default, Correction & Notice

- A. Lessee's Default Triggers
 - 1. Monetary Default
 - 2. Non-Monetary Default
- B. Lessor's Default Triggers
- C. Correction of Default(s)
- D. Notification of Default
- E. Notification of Termination of Lease for Default

XII. Sources of Property Management Business

The property Manager markets one's self much like brokerage agents or any other service industry agent.

- A. Condominium Associations-
 - 1. Condominium Associations are typically a group of property owners in a complex who are novices in the real estate business and do not understand real estate business nor the property management business. Many property managers manage condo associations for the owners including leasing units and maintaining the overall property.
- B. Absentee Property Owners
 - 1. Property owners who are out-of-town owners.
- C. Homeowners Associations
 - 1. Similar to condo associations, homeowners associations are collections of property owners who are not in a condominium or cooperative complex.
- D. Developers and Landlords
 - 1. Property developers may outsource the management function if a professional property manager or management company is cheaper than an employee, or if the developer is not sophisticated enough or large enough to manage the property management function.
- E. Community Associations
 - 1. Similar to condo associations or homeowners associations, community associations are collections of property owners who have a common interest and goal

XIII. Risk Management

Due to financial losses that may result from unexpected management situations, the property manager must consider risk management; weighing the options available should something unforeseen take place during the management period. The risk management options include:

- A. Avoid the risk- The property manager must utilize common sense when surveying the managed property and surrounding area including removing hazards that unnecessarily present a risk to those occupying the property.
- B. Control the risk- Based on the size of the managed property, advance preparation is essential for the property manager including but not limited to; 24 hour security monitoring system, interior unit/common area sprinkler systems, and fire containment measures.
- C. Transfer the risk- A vital function of the property manager is to secure adequate insurance to cover perils that could occur on the property. On-site inspection of the property by one or more qualified insurance broker/agent(s) will accomplish this objective.

- D. Retain the risk- Electing to retain the risk with the assumption that the possibility of loss due to an event occurring is minuscule. Unforeseen events can take place, such as tidal wave; where insurance secured with a large deductible reducing the annual premium may be applicable.

XIV. Insurance Provisions

- A. Fire and hazard
- B. Consequential
- C. Contents/personal property
- D. Liability/Worker's Compensation Acts
- E. Casualty
- F. Surety Bonds
- G. Claims procedures

XV. Review a Property Management Agreement

XVI. Discussion, Questions & Answers